



## Senate

General Assembly

**File No. 752**

January Session, 2015

Substitute Senate Bill No. 1081

*Senate, April 28, 2015*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### ***AN ACT CONCERNING THE ENFORCEMENT OF TAX STATUTES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 29-18b of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 The Commissioner of Emergency Services and Public Protection  
4 may appoint persons nominated by the Commissioner of Revenue  
5 Services to act as special policemen in [the special investigation section  
6 of] the Department of Revenue Services. Such appointees shall serve at  
7 the pleasure of the Commissioner of Emergency Services and Public  
8 Protection and, during such tenure, shall have all the powers conferred  
9 on state policemen. [They] Such special policemen shall, in addition to  
10 their duties with said [special investigation section] department, be  
11 subject to call by the Commissioner of Emergency Services and Public  
12 Protection for such emergency service as [said commissioner] the  
13 Commissioner of Emergency Services and Public Protection may  
14 prescribe.

15       Sec. 2. (NEW) (*Effective from passage*) Notwithstanding the provisions  
16 of section 12-15 of the general statutes, the Commissioner of Revenue  
17 Services may, subject to such terms and conditions as the  
18 commissioner may prescribe, disclose return or return information, as  
19 such terms are defined in section 12-15 of the general statutes, to an  
20 authorized representative of an organized local police department  
21 within this state for use in connection with an investigation being  
22 conducted by the local police department related to a violation or  
23 potential violation of any state law for which the commissioner has  
24 responsibility relating to alcohol, cigarettes or tobacco. In order to  
25 obtain such information, the chief or superintendent of the local police  
26 department shall make a written request for such information to the  
27 commissioner, which request shall contain the date the investigation  
28 began, a list of the individuals to whom such information will be  
29 disclosed, and a detailed explanation as to how such information is  
30 relevant and material to such investigation and how specifically the  
31 information will be used by the local police department in conducting  
32 such investigation. The commissioner may require additional  
33 information based on the facts and circumstances of the specific  
34 request. If such return or return information is deemed by the  
35 commissioner to be relevant and material to the investigation being  
36 conducted by the local police department, the commissioner may  
37 disclose such information to the local police department. Return or  
38 return information disclosed under this section shall not be further  
39 disclosed by the local police department, except in connection with a  
40 criminal prosecution, including any judicial proceeding related  
41 thereto, when such information is directly involved in and necessary to  
42 such prosecution. Any person who violates any provision of this  
43 section shall be fined not more than one thousand dollars or  
44 imprisoned not more than one year, or both.

45       Sec. 3. Subsection (a) of section 53-394 of the general statutes is  
46 repealed and the following is substituted in lieu thereof (*Effective July*  
47 *1, 2015*):

48       (a) "Racketeering activity" means to commit, to attempt to commit,

49 to conspire to commit, or to intentionally aid, solicit, coerce or  
 50 intimidate another person to commit any crime which, at the time of its  
 51 commission, was a felony chargeable by indictment or information  
 52 under the following provisions of the general statutes then applicable:  
 53 (1) Sections 53-278a to 53-278f, inclusive, relating to gambling activity;  
 54 (2) chapter 949a, relating to extortionate credit transactions; (3) chapter  
 55 952, part IV, relating to homicide; (4) chapter 952, part V, relating to  
 56 assault, except assault with a motor vehicle as defined in section 53a-  
 57 60d; (5) sections 53a-85 to 53a-88, inclusive, relating to prostitution; (6)  
 58 chapter 952, part VII, relating to kidnapping; (7) chapter 952, part VIII,  
 59 relating to burglary, arson and related offenses; (8) chapter 952, part  
 60 IX, relating to larceny, robbery and related offenses; (9) chapter 952,  
 61 part X, relating to forgery and related offenses; (10) chapter 952, part  
 62 XI, relating to bribery and related offenses; (11) chapter 952, part XX,  
 63 relating to obscenity and related offenses; (12) chapter 952, part XIX,  
 64 relating to coercion; (13) sections 53-202, 53-206, 53a-211 and 53a-212,  
 65 relating to weapons and firearms; (14) section 53-80a, relating to the  
 66 manufacture of bombs; (15) sections 36b-2 to 36b-34, inclusive, relating  
 67 to securities fraud and related offenses; (16) sections 21a-277, 21a-278  
 68 and 21a-279, relating to drugs; (17) section 22a-131a, relating to  
 69 hazardous waste; (18) chapter 952, part XXIII, relating to money  
 70 laundering; [or] (19) section 53a-192a, relating to trafficking in persons;  
 71 or (20) subdivision (1) of subsection (b) of section 12-304 or section 12-  
 72 308, relating to cigarettes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	29-18b
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>July 1, 2015</i>	53-394(a)

**FIN**            *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

The bill expands the definition of racketeering activity under the Corrupt Organization Racketeering Act (CORA), allows the Department of Revenue Services (DRS) to disclose certain tax information to local police departments, and extends the operating authority of special police agents within DRS beyond the agency's Special Investigation Section. These changes do not result in any fiscal impact.

**The Out Years**

**State Impact:** None

**Municipal Impact:** None

**OLR Bill Analysis****sSB 1081*****AN ACT CONCERNING THE ENFORCEMENT OF TAX STATUTES.*****SUMMARY:**

This bill sets conditions under which the Department of Revenue Services (DRS) commissioner may disclose certain tax information to local police investigating suspected violations of certain state alcohol, cigarette, or tobacco laws.

The bill also extends the definition of racketeering activity under the Corrupt Organization Racketeering Act (CORA) to include violations of certain cigarette-related crimes.

Lastly, the bill allows the special police agents the Department of Emergency Services and Public Protection (DESPP) commissioner appoints to serve in DRS to operate anywhere within the department, rather than just in its special investigation section. By law, these special police agents have all the powers of state police and serve at the DESPP commissioner's pleasure.

EFFECTIVE DATE: Upon passage, except the CORA provision is effective July 1, 2015.

**DISCLOSURE OF CERTAIN TAX INFORMATION TO LOCAL POLICE DEPARTMENTS**

The bill authorizes the DRS commissioner to disclose tax returns and return information (see BACKGROUND) in connection with an organized local police department's investigation of a violation of any state alcohol, cigarette, or tobacco law for which the DRS commissioner has responsibility (e.g., alcohol, cigarette, or tobacco products tax laws; cigarette manufacturer, dealer, and distributor licensure laws; and the tobacco settlement law). It allows the

commissioner to disclose such information to the police department's authorized representative, subject to terms and conditions the commissioner prescribes.

To obtain such information, the police department's chief or superintendent must make a written request of DRS that includes:

1. the investigation's start date,
2. a list of the individuals to whom the information will be disclosed, and
3. a detailed explanation of how the information (a) is relevant and material to the investigation and (b) will be used in the investigation.

The commissioner may (1) require additional information based on the request's specific facts and circumstances and (2) disclose the tax information to the police department if he deems it relevant and material to the investigation.

The bill allows the police department to further disclose the information, including in any related judicial proceeding, if it is connected with a criminal prosecution and is directly involved in and necessary to the prosecution. Otherwise, the bill prohibits the police department from further disclosing the information. Violators are subject to existing law's penalties for unauthorized disclosures of tax information (i.e., a fine of up to \$1,000, up to one year in prison, or both (CGS § 12-15(g))).

### **RACKETEERING ACTIVITY**

The bill extends the definition of racketeering activity under CORA to include violations of the following cigarette tax laws:

1. fraudulent making, uttering, forging, or counterfeiting of cigarette tax stamps or causing or procuring the same to be done;

2. willful uttering, publishing, passing, or rendering as true any false, altered, forged, or counterfeited stamps;
3. knowing possession of any such false, altered, forged, or counterfeited stamp;
4. use of a cigarette tax stamp more than once to evade the cigarette tax;
5. tampering with, or causing the tampering of, a cigarette tax metering machine; or
6. possessing, transporting for sale, selling, or offering for sale 20,000 or more cigarettes (a) in any unstamped or illegally packaged stamped packages or (b) that the law prohibits from bearing a tax stamp, as described below.

By law, cigarette distributors and dealers cannot put a state cigarette tax stamp on and sell a cigarette package if it:

1. is not labeled in conformity with the federal Cigarette Labeling and Advertising Act and other applicable federal label and warning requirements;
2. is labeled in a way prescribed by the U.S. Department of the Treasury indicating that the cigarettes are intended for export and are exempt from taxation (e.g., "For export only" or "For use outside U.S. ");
3. was imported into the U.S. after January 1, 2000 in violation of federal law restricting the importation of cigarettes that have been previously exported;
4. violates federal trademark or copyright law or if federal taxes have not been paid;
5. has been modified or altered by someone other than the manufacturer, or someone authorized by the manufacturer, including with a sticker or label that covers information

described in the first two prohibitions;

6. is produced by a cigarette manufacturer, or belongs to a brand family, that is not listed in DRS' Connecticut Tobacco Directory (i.e., its listing of tobacco product manufacturers and their brand families that comply with the state's tobacco settlement law); or
7. is not included in the Connecticut Fire-Safe Cigarette Directory (i.e. the State Fire Marshal Office's listing of cigarette manufacturers in compliance with the state's fire-safe cigarette laws).

## **BACKGROUND**

### **CORA**

CORA punishes racketeering activity. It subjects violators to (1) one to 20 years in prison, a fine of up to \$25,000, or both; (2) forfeiture of property acquired, maintained, or used in violation of CORA including profits, appreciated value, and sale proceeds; and (3) forfeiture of any interest, claim against property, or contractual right affording a source of influence over any enterprise the violator established, operated, controlled, conducted, or participated in.

### ***Tax Returns and Return Information***

By law, a "return" is any of the following filed with the DRS commissioner by, on behalf of, or with respect to, anyone: (1) a tax or information return; (2) an estimated tax declaration; (3) a refund claim; or (4) any license, permit, registration, or other application. The term also covers amendments or supplements, including supporting schedules, attachments, or lists that supplement or are part of a filed return.

"Return information" includes:

1. a taxpayer's identity;
2. the nature, source, or amount of the taxpayer's income,



payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax collected or withheld, tax under- or over-reportings, or tax payments; and

3. any other data received, recorded, prepared, or collected by or furnished to the DRS commissioner regarding (a) a return or (b) any determination of liability for a tax, penalty, interest, fine, forfeiture, or other imposition or offense (CGS § 12-15(h)(1) & (2)).

### **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 38 Nay 0 (04/16/2015)